

JUNEBUG PRODUCTIONS, INC.

FINANCIAL STATEMENTS

June 30, 2004 and 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-12-05

JUNEBUG PRODUCTIONS, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
Years Ended June 30, 2004 and 2003

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Junebug Productions, Inc.

We have audited the accompanying statements of financial position of **Junebug Productions, Inc.** (the "Organization") as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **Junebug Productions, Inc.** as of June 30, 2004 and 2003, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2004 on our consideration of **Junebug Productions, Inc.**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Junebug Productions, Inc. taken as a whole. The accompanying supplemental statements of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Bain, Freibaum, Sagona & Co., L.L.P.

December 21, 2004

JUNEBUG PRODUCTIONS, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2004 and 2003

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,231	\$ 10,211
Employee advances	8,538	8,538
Total current assets	<u>21,769</u>	<u>18,749</u>
FIXED ASSETS:		
Furniture, fixtures & equipment	12,878	20,927
Less: accumulated depreciation	<u>(10,532)</u>	<u>(17,411)</u>
Net fixed assets	<u>2,346</u>	<u>3,516</u>
OTHER ASSETS:		
Restricted cash & cash equivalents	16,757	14,920
Employee loan receivable	6,120	6,120
Security depositis	704	704
Total other assets	<u>23,581</u>	<u>21,744</u>
TOTAL ASSETS	<u>\$ 47,696</u>	<u>\$ 44,009</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 8,995	\$ 12,850
Accrued expenses	13,472	2,538
Employee loan payable	1,225	1,225
Note payable, current	3,000	6,000
Total current liabilities	<u>26,692</u>	<u>22,613</u>
 <u>NET ASSETS</u>		
Unrestricted	4,247	6,476
Permanently restricted	16,757	14,920
Total net assets	<u>21,004</u>	<u>21,396</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 47,696</u>	<u>\$ 44,009</u>

See accompanying notes and accountant's report.

JUNEBUG PRODUCTIONS, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2004 and 2003

	2004	2003
CHANGES IN UNRESTRICTED NET ASSETS		
Increases:		
Individual contributions	\$ 3,225	\$ 2,552
Corporate contributions	1,548	-
Foundation contributions	85,500	60,477
Governmental grants:		
State and local	14,237	14,584
Touring income	92,960	57,200
Earned fees	-	1,077
Co-presenting subsidies	-	2,892
Individual performance contracts	3,625	-
Box office ticket sales	2,502	-
Miscellaneous income	1,884	5,718
Interest and investment income	392	6
Total increase in unrestricted net assets	205,873	144,506
Decreases:		
Program expenses	144,974	94,209
General & administrative	63,128	47,344
Total decrease in unrestricted net assets	208,102	141,553
Net increase (decrease) in unrestricted net assets	(2,229)	2,953
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Net investment earnings	1,837	662
Increase (decrease) in permanently restricted net assets	1,837	662
INCREASE (DECREASE) IN NET ASSETS	(392)	3,615
NET ASSETS AT BEGINNING OF YEAR	21,396	17,781
NET ASSETS AT END OF YEAR	\$ 21,004	\$ 21,396

See accompanying notes and accountant's report.

JUNEBUG PRODUCTIONS, INC.
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2004 and 2003

	2004	2003
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (392)	\$ 3,615
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,171	1,554
Decrease (increase) in operating assets:		
Accounts receivable	-	1,776
Employee travel advances	-	(432)
Increase (decrease) in operating liabilities:		
Accounts payable	(3,855)	(2,710)
Accrued expenses	10,933	(519)
	7,857	3,284
Net Cash Provided by (Used in) Operating Activities		
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(3,908)
	-	(3,908)
Net Cash Provided by (Used in) Investing Activities		
Cash Flows From Financing Activities		
Repayments on debt (net of borrowings)	(3,000)	-
Endowment fund	(1,837)	(369)
	(4,837)	(369)
Net Cash Provided by (Used in) Financing Activities		
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	3,020	(993)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	10,211	11,204
CASH AND EQUIVALENTS, END OF YEAR	\$ 13,231	\$ 10,211

See accompanying notes and accountant's report.

JUNEBUG PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (cont'd)
For the Years Ended June 30, 2004 and 2003

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Founded in 1980 as a not-for-profit organization under Internal Revenue Code Section 501(c)(3), New Orleans based Junebug Productions, Inc.'s (the "Organization") mission is to create, present, and support the development of high-quality artistic work that supports and encourages African-Americans in the Black Belt South to improve the quality of life available to them.

BASIS OF ACCOUNTING

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

USE OF ESTIMATES

The financial statements include estimates and assumptions made by management that affect the carrying amount of assets and liabilities and the reported amounts of revenues and expenses. *Actual results may differ from those estimates.*

JUNEBUG PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (cont'd)
For the Years Ended June 30, 2004 and 2003

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

FURNITURE, FIXTURES, AND EQUIPMENT

Furniture, fixtures, and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The useful lives range from 5 to 7 years. The Organization removed \$8,049 of obsolete equipment and its associated depreciation from its balance sheet during fiscal year ended June 30, 2004. The obsolete equipment was primarily fully depreciated computers older than 5 years that have been disposed of by the Organization.

RESTRICTED CONTRIBUTIONS

Restricted contributions whose restrictions are met during the year of receipt are reported on the statement of activities as increases in unrestricted net assets. Restricted contributions whose restrictions are not met during the year of receipt are reported on the statement of activities as increases in temporarily restricted or permanently restricted net assets.

ENDOWMENT FUND

The endowment corpus maintained by the Organization is considered to be permanently restricted. The investment income that is earned on the Corpus each year is intended to help fund the Organizations program services. Therefore, all endowment investment income earned is considered to satisfy restrictions each year and is accordingly recorded as unrestricted income.

2. CASH AND CASH EQUIVALENTS

Cash equivalents consist primarily of bank deposits and investments in asset management funds. These funds primarily invest in low-risk bond securities. Securities are stated at cost. The market value of cash and equivalents is not materially different from cost at June 30, 2004 and 2003. Cash and cash equivalents for purposes of the statement of cash flows includes permanently restricted cash and cash equivalents.

JUNEBUG PRODUCTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (cont'd)
For the Years Ended June 30, 2004 and 2003

3. INCOME TAXES

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, accordingly, income taxes are not presented in these financial statements.

4. RESTRICTED NET ASSETS

	2004	2003
GNOF Endowment Fund	\$ 16,757	\$ 14,920
Total permanently restricted net assets	\$ 16,757	\$ 14,920

5. COMMITMENTS AND CONTINGENCIES

Grants and contributions require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors.

6. RELATED PARTY TRANSACTIONS

The Organization contracted with a booking agency owned by the Organization's Managing Director. Commissions and fees paid to the booking agency by the Organization were approximately \$23,907 and \$15,560 for the fiscal years ended June 30, 2004 and 2003, respectively. During the fiscal year ended June 30, 2003 the booking agency also loaned the Organization \$6,000. The outstanding loan balance as of June 30, 2004 is \$3,000.

The Organization's Artistic Director had outstanding loans and travel advances payable to the Organization totaling approximately \$ 14,658 and \$ 14,658 as of June 30, 2004 and 2003, respectively.

The President of the Organization was also paid professional fees in addition to his salary. The professional fees were compensation for his artistic performances. Professional fees paid to the President totaled \$ 0 and \$1,365 for the fiscal years ended June 30, 2004 and 2003, respectively.

SUPPLEMENTAL INFORMATION

JUNEBUG PRODUCTIONS, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Artists fees	\$ 23,845	\$ 9,500
Booking fees	4,000	4,500
Dues & subscriptions	1,405	1,165
Depreciation	1,171	1,554
Employee benefits	2,667	2,696
Hospitality	739	912
Insurance	81	765
Interest and penalties	-	427
Miscellaneous	406	435
Office expense	421	1,880
Payroll taxes	3,573	3,574
Postage	1,884	992
Printing	647	1,187
Professional fees	64,786	41,545
Program equipment rental	800	-
Rent	3,360	3,360
Salaries	52,251	40,600
Sets/props/costumes	608	497
Travel	44,395	24,478
Utilities	1,063	1,486
	<u>\$ 208,102</u>	<u>\$ 141,553</u>

See accompanying notes and accountant's report.

COMPLIANCE AND INTERNAL CONTROL



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Junebug Productions, Inc.

We have audited the financial statements of **Junebug Productions, Inc.** (the "Organization") as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated December 21, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one

or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bain, Freibaum, Sagona & Co., L.L.P.

December 21, 2004

JUNEBUG PRODUCTIONS, INC.
Schedule of Findings
For the Years Ended June 30, 2004 and 2003

PART I – Summary of the Auditors' Results

Financial Statement Audit

- a) The type of audit opinion issued was unqualified.
- b) There were no instances of noncompliance considered material to the financial statements, as defined by the Government Auditing Standards.
- c) There were no reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- d) There were no material weaknesses as defined by Government Auditing Standards.

PART II – Findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards:

No Findings.